

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7113
BILL NUMBER: HB 1470

NOTE PREPARED: Feb 27, 2009
BILL AMENDED: Feb 19, 2009

SUBJECT: Medicaid.

FIRST AUTHOR: Rep. Pelath
FIRST SPONSOR: Sen. Kenley

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Select Joint Commission on Medicaid Oversight (Commission) to study the impact of changing health facility reimbursement to a price-based reimbursement system.

The bill requires the health facility Quality Assessment Fee (QAF) to be the maximum amount allowed by the federal government (5.5% of net patient revenues).

Effective Date: Upon passage; July 1, 2009.

Explanation of State Expenditures: *Select Joint Commission on Medicaid Oversight:* This bill would require the Select Joint Commission on Medicaid Oversight to include this topic in the Commission's work plan for the 2009 interim session. During the 2008 interim, the 12-member Commission held four meetings and spent approximately \$9,400. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$9,500 per interim.

(Revised) *Quality Assessment Fee:* This bill would increase the amount of Medicaid reimbursement for nursing facilities as a result of an increase in the QAF and would extend the QAF for four years through FY 2013. The current statute requires that 80% of the QAF collected, must be used to leverage federal Medicaid matching funds to increase nursing facility reimbursement, targeting specific uses. The remaining 20% of the estimated QAF must be used to offset Medicaid costs incurred by the state. Should federal financial participation become unavailable to provide for the additional reimbursement, current law provides that the Office of Medicaid Policy and Planning (OMPP) will cease to collect the QAF. The amount of increased reimbursement for nursing facilities available would depend on whether the federal Centers for Medicare

and Medicaid Services (CMS) approves an increase in the QAF. If the QAF is increased to the maximum, nursing facility reimbursement would be increased by a total of \$82.3M annually. Net additional federal reimbursement for nursing facilities that would be leveraged with the new level of the assessment would be approximately \$45.6 M in FY 2010 and FY 2011.

(Revised) *Impact of the Federal Stimulus Bill:* A 6.2% enhanced federal match add-on as well as an estimated 2.77% bonus unemployment percentage will be available to the state from October 1, 2008, to December 31, 2010. The enhanced federal matching rate will result in a temporary increase in nursing facility reimbursements related to the QAF of \$54.8 M in FY 2009, \$110.5 M in FY 2010, and \$55.2 M in FY 2011.

The bill would require OMPP to apply to CMS for approval to increase the amount of the QAF to the maximum percentage allowed by federal law. Medicaid waiver and plan amendments are generally considered to be administrative in nature and achievable within the current level of resources available to the OMPP. However, OMPP may be required to revise the current assessment methodology. It is not known if OMPP would require additional resources to revise the QAF. [This information will be supplied when it is available from OMPP.]

Medicaid is a jointly funded state and federal program. Funding for direct services is reimbursed at approximately 64% by the federal government, while the state share is about 36%. Funding for administrative services is generally shared 50/50. The stimulus add-on percentage of 6.2% and the estimated 2.77% bonus unemployment percentage do not apply to medical assistance that is currently eligible for *enhanced* FMAP such as CHIP, nor do they apply to Disproportionate Share Hospital payments.

Explanation of State Revenues: (Revised) *Extension of the QAF:* Extending the authorization for the collection of the QAF and the related increased expenditures from August 2009 to August 2013 would authorize an estimated annual collection of about \$100 M for each of FY 2010 and FY 2011 if nursing facility days remain constant. The total annual collections and the state share of the collections are as follows.

Fiscal Year	QAF Collections	State 20% Share
FY 2006	\$ 333.9 M	\$ 62.7 M
FY 2007	\$ 108.3 M	\$ 21.7 M
FY 2008	\$ 107.7 M	\$ 21.5 M
FY 2009	\$ 102.1 M	\$ 20.4 M
FY 2010*	\$ 100.9 M	\$ 20.1 M
FY 2011 *	\$ 99.9 M	\$ 19.8 M
* Estimated.		

The OMPP has estimated that increasing the assessment to 5.5%, the maximum level of collections allowable, would require increasing the collections by \$36.9 M to raise a total of approximately \$135.5 M annually. The state share of the collections would increase by approximately \$7.4 M to a total of \$27.5 M.

(Revised) **Background:** In the current model approved by CMS, the amount of the QAF is based on a nursing facility's total annual patient days. Quality assessments of \$10 per non-Medicare patient day are to be collected from nursing facilities with total annual patient days of less than 70,000 days. Facilities with annual patient days equal to or greater than 70,000 days will be assessed \$2.50 per non-Medicare day. Local government-owned nursing facilities will be assessed \$2.50 per non-Medicare patient day, as well. Nursing facilities that are continuing care retirement communities, hospital-based, or owned by the state are exempt from the QAF. It is not clear from the bill if the methodology would have to be changed from the current model to collections based on net patient revenues.

Explanation of Local Expenditures: County-owned nursing facilities would be required to pay an increase in the Medicaid QAF.

Explanation of Local Revenues: County-owned nursing facilities would potentially receive an increase in reimbursement as a result of leveraging additional federal dollars through the QAF. Individual circumstances would determine if a facility would receive more revenue than is paid out for the QAF.

State Agencies Affected: OMPP, Family and Social Services Administration.

Local Agencies Affected: County-owned nursing facilities.

Information Sources:

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